

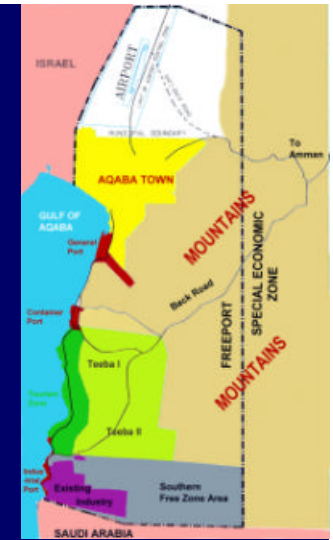
The Aqaba SEZ and its Implications for the Gaza Strip

Briefing for USAID
February 7, 2001





Rationale for Comparison



- Successful Aqaba SEZ implementation with USAID support
 - ▶ Model for Jordanian reforms at national level
- Common elements – PRIZIM Project
 - ▶ Transportation planning, customs, industrial property, investment and property promotion
- Common elements – Gaza Strip
 - ▶ Infrastructure development, strategic location, regional planning focus

The Aqaba SEZ: Concepts



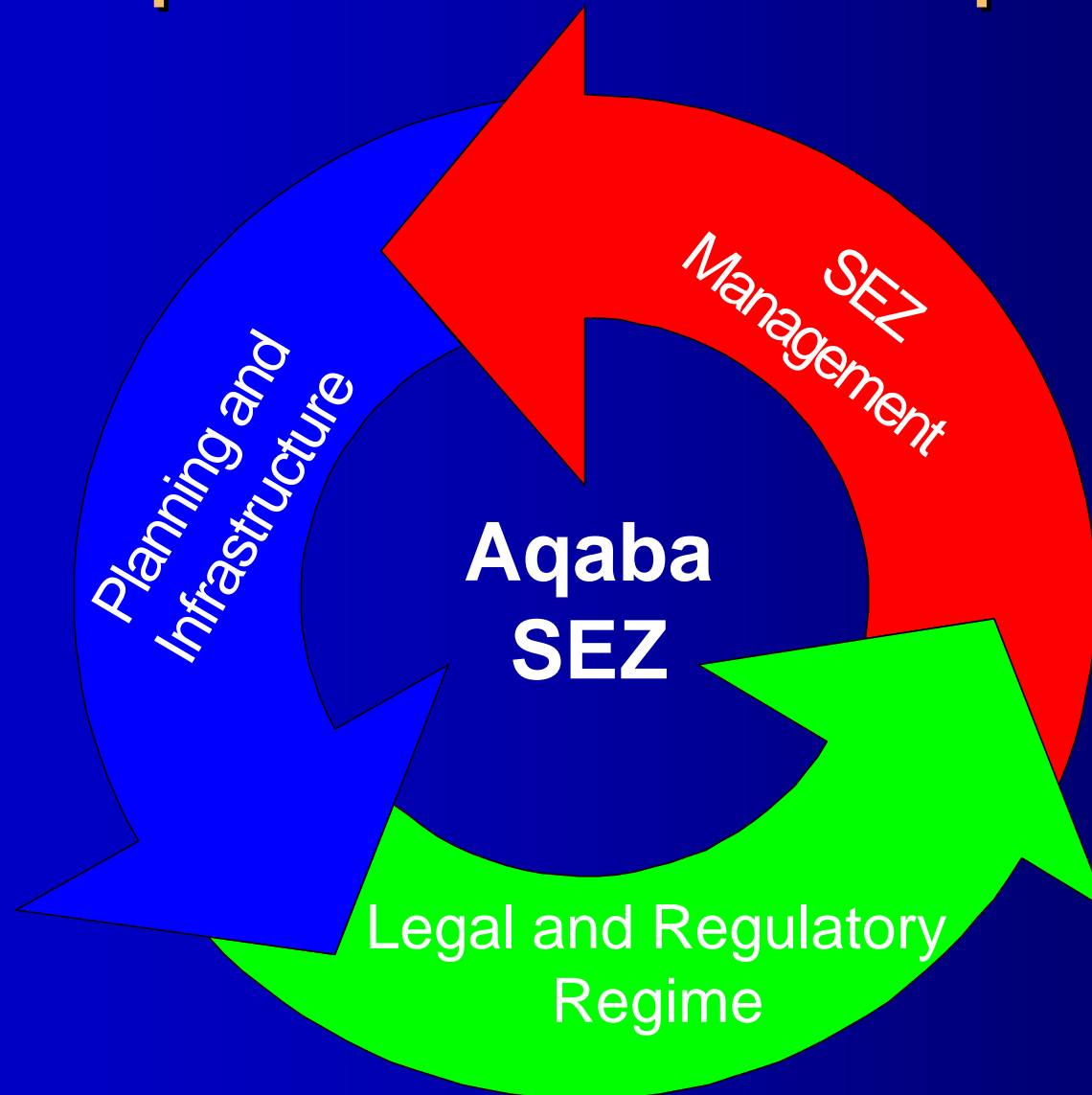
- Freeport/SEZ vs. free zones and EPZs
 - Broadly liberalized operating environment
 - Integrated economic and physical planning
 - Efficient services, private-sector service provision
 - Decentralized decision-making & management
 - Large, integrated multi-use developments
 - Integrated with national economy (WTO compliant)
- International examples
 - Land borders: Subic Bay, Freeport
 - Islands: Batam, Labuan, Madeira
 - City-states: Hong Kong, Macau, Singapore, Dubai, Gibraltar

The Aqaba SEZ: Background



- Long-standing recognition of development challenge in southern Jordan
 - ▶ Significant infrastructure investments (ports, airport, public free zones, ARA)
 - ▶ Strategic location (4 countries), available land
 - ▶ But limited economic impacts (public sector-driven, low growth, little government revenue)
- Piecemeal reform measures
 - ▶ Port planning, industrial development, heavy industrial zone, stalled tourism enclave projects
- Donor support for integrated planning approach
 - ▶ World Bank: Concept design & feasibility study
 - ▶ USAID: Implementation support

The Aqaba SEZ – Components



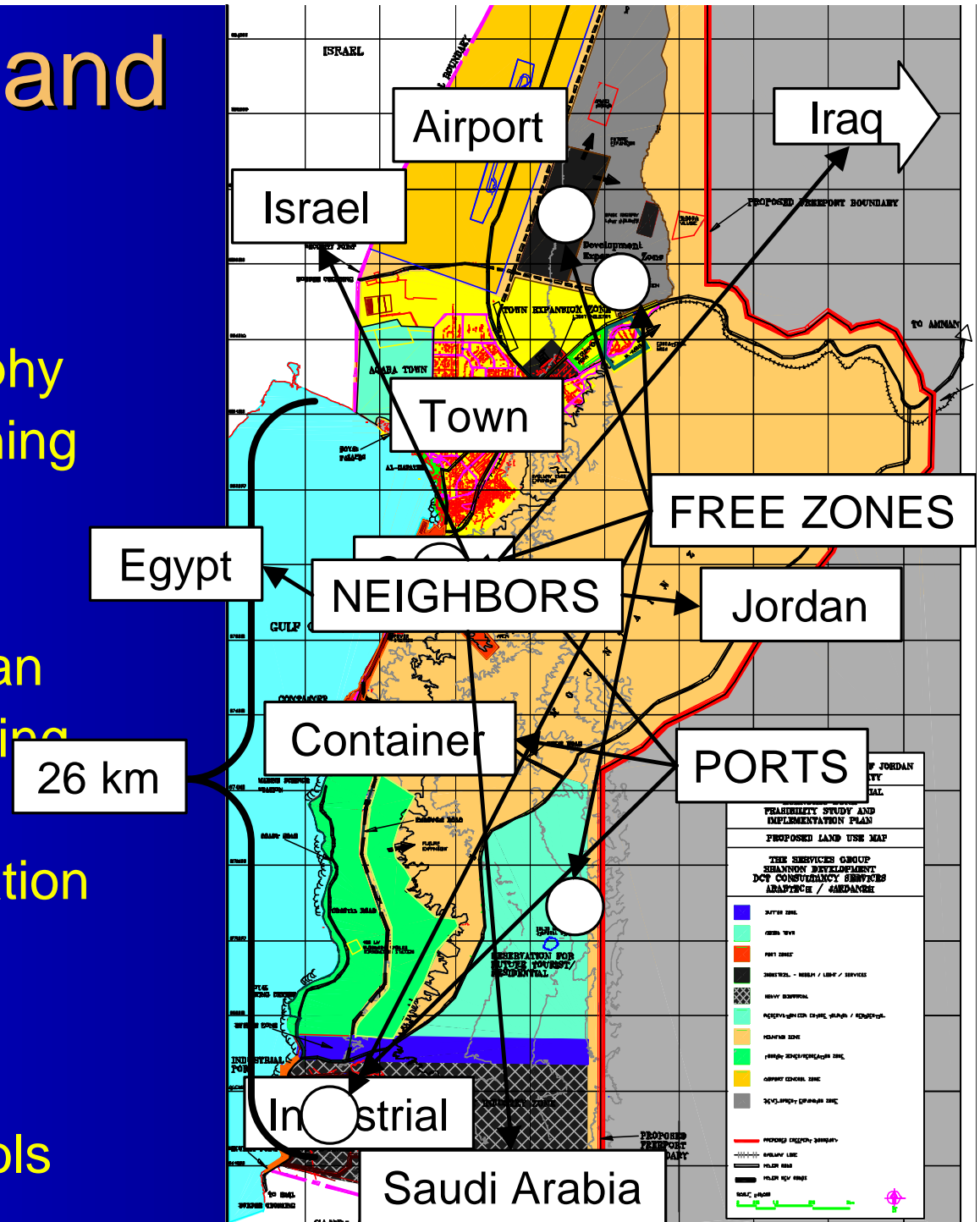
SEZ Planning and Infrastructure

■ Challenges

- ▶ Coastline & topography
- ▶ Legacy of poor planning
- ▶ Poor land allocation

■ SEZ Approach

- ▶ Integrated master plan
- ▶ Transportation planning
- ▶ Privatization
- ▶ Improved land allocation
- ▶ Competing land use management / CRM
- ▶ Design guidelines
- ▶ Environmental controls



SEZ Legal and Regulatory Regime

- Creating an improved business environment by introducing:
 - Unrestricted entry and exit across sectors
 - Streamlined registration and licensing
 - Simplified investment regime
 - Increased access to land (sale/lease)
 - Simplified tax treatment
 - Trade regime (duty-free, market access)
 - Simplified labor and immigration
 - Deregulation (transportation, utilities)



SEZ Management



■ Real Decentralization

- ▶ Strong and Independent ASEZA Structure
- ▶ Absorbs functions of disparate public sector entities (ARA, municipality, free zones)

■ Freedom to Operate

- ▶ Separate civil service regulation
- ▶ “Revenue Authority” approach

■ Robust Enforcement Role

- ▶ Strong systems for audits and penalties
- ▶ Core focus on creating an enabling environment

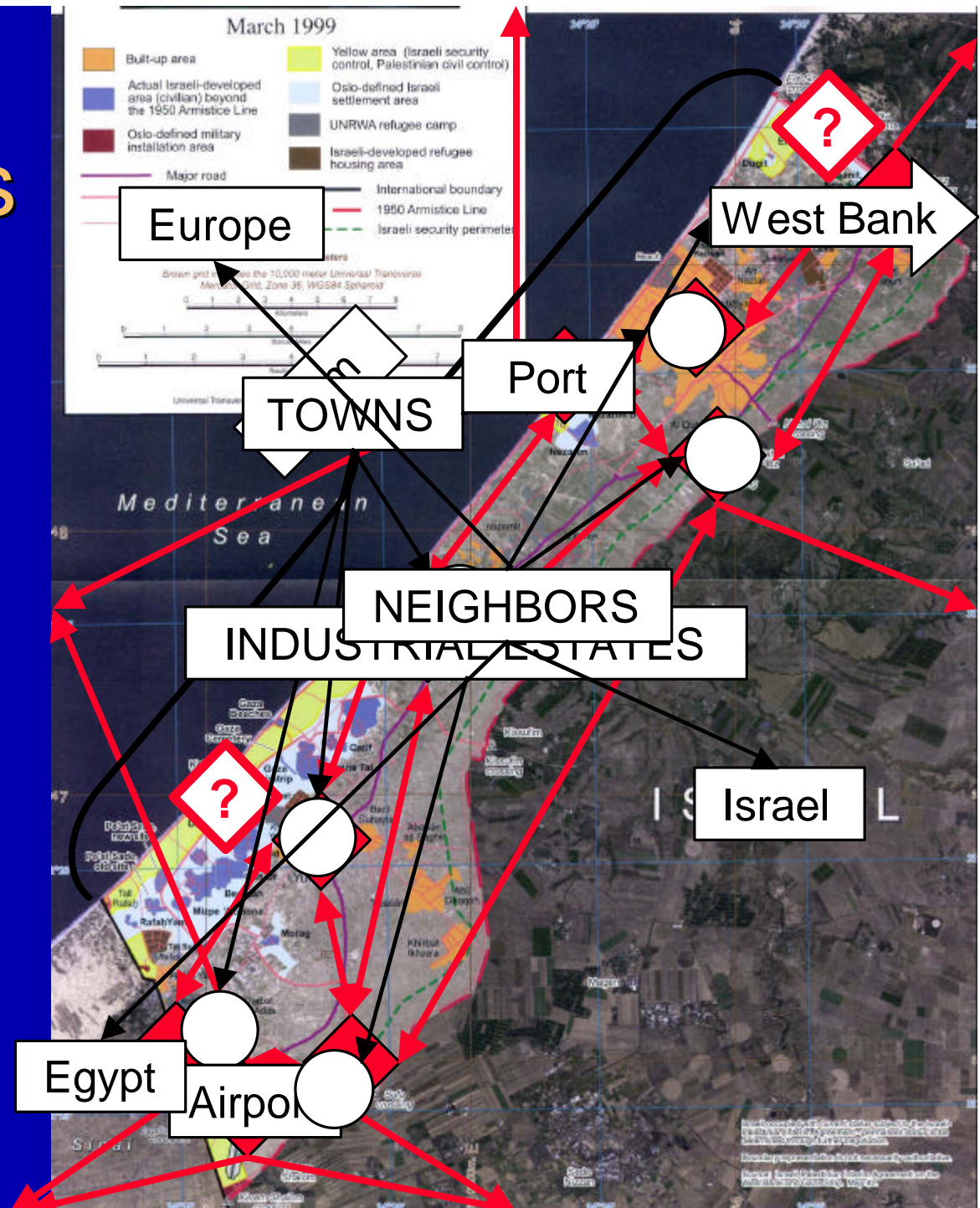
Gaza Strip: Planning Issues

■ Challenges

- ▶ Lack of planning
- ▶ Absence of CRM
- ▶ Limited transport planning
- ▶ Settlements
- ▶ Access

■ Responses

- ▶ Integrated planning
- ▶ Logistics focus
- ▶ Relevant & timely interventions!!!



Aqaba & Gaza: Similarities

- Large (400-600 km²) multi-use coastal region economies with multi-modal transportation access and few natural resources
- Significant transportation infrastructure already in place ® Need to unlock economic potential
- Ad-hoc physical and transportation infrastructure planning, site-constrained ports
- Limited access to traditional neighboring export markets (Gaza/Israel, Aqaba/Iraq)
- Lack of effective duty-free manufacturing regime
- Regional port competition & investment
- Uncertain trade logistics with Israel
- Conservative social and political enclaves

Aqaba & Gaza – Differences

■ Gaza's Pros:

- ▶ Population/labor force (1.1m vs. 70,000)
- ▶ Proximity to European markets (Suez)
- ▶ Usable land (coastal plain vs. mountains)
- ▶ Private infrastructure investment (PPP)
- ▶ Demonstrated potential as “F”DI target

■ Gaza's Cons:

- ▶ Integration with surrounding economy
- ▶ Threat of autarkic trade policies (i.e. port)
- ▶ Palestinian non-state entity ® lack of independent trade regime

Implications for Gaza

■ Planning and Infrastructure

▶ Demonstrated need for integrated planning:

- Transportation infrastructure assets
- Customs/trade logistics facilities
- Competing land use planning/CRM
- Private investment in public infrastructure

■ Legal and Regulatory Regime

▶ Ongoing need for modern commercial law...

- Duty-free, bonded, and/or drawback manufacturing
- Streamlined investment and operating procedures

...but less room/need for radical SEZ approach

■ SEZ Management

▶ Gaza-focused “decentralization” already exists

- “Gaza SEZ Authority” not plausible or warranted today
- Emphasis should be on efficiencies in key investment-related entities (PIEFZA, Seaports Authority, Customs...)

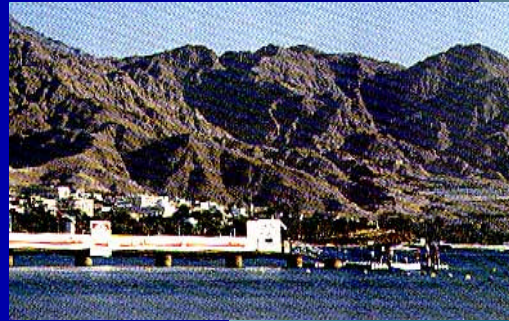
PRIZIM Contributions



- Existing PRIZIM Activities
 - ▶ Transportation & logistics macro planning
 - ▶ Customs regime design & implementation
 - ▶ Investment-related institutions (PIEFZA, PIPA, Customs)
- Proposed New Initiatives
 - ▶ Logistics strategy (port, airport, GLF, GIE, etc.)
 - ▶ Port master plan (on-shore layout and facilities, handling equipment, expansion planning)
 - ▶ CRM – competing land uses and impacts
 - ▶ Design guidelines for critical development
 - ▶ Customs facilities planning & automation
 - ▶ Airport cargo facility planning – private operator?
- Phased Approach
 - ▶ Prioritize logistics, port, CRM, customs planning
 - ▶ Phase in design guidelines, customs automation

Concrete Results: Example 1

- Main Aqaba Port
 - ▶ General cargo
 - ▶ Bulk materials
- Challenges
 - ▶ Constrained site
 - ▶ Land use conflicts
- Solutions
 - ▶ Mixed-use redevelopment
 - ▶ Integration with tourism planning
 - ▶ Consolidation of facilities
 - ▶ Environmental remediation
 - ▶ Private development



Concrete Results: Example 2

- Customs Facilities
 - ▶ Movement of goods (port)
 - ▶ SEZ passenger processing
- Challenges
 - ▶ Inefficient manual procedures
 - ▶ Lack of enforcement
 - ▶ Poor human resources
 - ▶ Lack of passenger processing experience
- Solutions
 - ▶ New SEZ customs force
 - ▶ Modern facilities design
 - ▶ ASYCUDA implementation
 - ▶ Transit and other controls
 - ▶ Training customs brokers



Discussion

